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SIPDIS

STATE FOR EB/IFD/OIA AND EUR/UMB

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TAGS: ECON EFIN PGOV PREL UP XH

SUBJECT: 13% TARIFF SURCHARGE ON AUTOS AND REFRIGERATORS  
EXPIRES

REF: KYIV 1495

**¶1.** (U) Summary. The tariff enacted by the GOU in February 2009, which applied a 13% surcharge on imports of cars and refrigerators, has expired as scheduled on September 7th.  
End Summary.

**¶2.** (U) Using Ukraine's trade deficit as a justification, the GOU had enacted a 13% tariff measure in February 2009. This tariff was originally intended to be applied to all imports, but a resolution of the Cabinet of Ministers reduced its scope to automobiles and refrigerators. A time limit on the tariff was included in the enabling legislation, requiring the tariff to expire on September 7th.

**¶3.** (U) As of September 7th, the measure has officially expired and the tariff is no longer valid. The Ukrainian Customs Bureau confirms that the tariff is no longer being collected, and that the computer equipment that had been used in its collection has been disconnected.

**¶4.** (SBU) Comment. In June, the Ukrainian automobile industry appealed to the GOU to extend the tariff an additional six months, and there were media reports that three of the strongest blocs in the Rada (Litvyn, BYUT, and Regions) were in support of such a measure. However, the language of the original law did not permit any extensions. At present, there is another draft law being considered in the Rada that would apply a 15 percent tariff on imports of automobiles and meat products from January 1st, 2010. Due to the improvement in Ukraine's trade balance (Reftel KYIV 1495), it makes no mention of Balance of Payments as a justification. Deputy Ministry Piatnytskiy of the Ministry of Economy told EmbOffs that the draft law would face presidential opposition and that, if passed, it might only be applied to imports from non-WTO members.

**¶5.** (SBU) The just-expired tariff was a failure as a fund-raising tool, according to customs figures which estimated that the loss of sales tax revenue caused by the tariff exceeded UAH 500 million (USD 60 million) during its effective duration. Rather than revenue enhancement, measures such as the recently expired 13% tariff and the one now in draft legislation appear to be serving protectionist goals, especially as concerns the Ukrainian automotive industry. With the presidential election looming in January 2010, the sponsors of the new tariff bill are likely hoping it will help their parties generate populist support among farmers and factory workers. End comment.

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